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26 June 1958

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

No

* Poland: The Polish regime apparently has decided to issue a statement soon, in the party newspaper justifying in general terms the action against Imre Nagy as necessary to maintain bloc unity. If the Polish statement fails to denounce Nagy specifically for his various alleged crimes, Moscow probably will consider that Gomulka is again temporizing as he has done on the Yugoslav issue.

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yes

* Soviet note on Geneva talks: The Soviet aide-memoire of 25 June represents at the least a major shift in Moscow's tactics for handling technical test inspection talks at Geneva and may even indicate a substantial policy change--the abandonment of negotiations on inspection and possibly the resumption of Soviet nuclear tests. In sharp contrast with the aide-memoire of the previous day, the USSR now warns it cannot attend the Geneva technical talks unless the United States agrees that the purpose of the experts' talks is to "insure the discontinuation of tests of nuclear weapons by all powers possessing them." If the Soviet Union does not follow through on this implied threat of a boycott, it will probably insist from the outset that an American agreement in principle on test suspension is a necessary precondition for technical discussions.

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yes

Cyprus: Archbishop Makarios apparently favors maintaining the status quo on Cyprus, fearing the British and Turks would "gang up" against the Greeks if violence were resumed. There is as yet no Turkish reaction to the Greek decision not to cooperate with Turkey within NATO. Some Greek civilian NATO employees have returned to Izmir, where special security measures are being relaxed.

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No

North Africa: The Moroccan and Tunisian governments are planning to send a high-level, semiofficial group, including Algerians and possibly some Libyans, to the United States to seek support for Algerian independence and North African federation.

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Cambodia - South Vietnam: The Cambodian prime minister announced on 25 June that South Vietnamese army troops had occupied a Cambodian village. He issued a call to arms for "defense of the nation." Saigon has denied any encroachment. In view of troubled relations with Thailand as well as with South Vietnam, it is possible that Cambodia may turn to Peiping for political and moral support.

(Page 6) (Map)

yes

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Laos: The Communists are maintaining the momentum of their recent election victory and extending their influence throughout the countryside at the expense of the conservatives.

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Indonesia: President Sukarno's reshuffling of the cabinet, announced on 25 June, is only a minor step toward decreasing Communist influence in the government. Sukarno has explained away the limited changes by stating that it would have been dangerous to challenge the Communists now when so many troops, ordinarily stationed in Java, are fighting in Sumatra and Celebes.

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III. THE WEST

no

France: Pinay's gold loan launched on 17 June brought more gold out of hoarding in its first four days than during the seven weeks of his 1952 gold loan, but there are as yet no indications that it has achieved any repatriation of French holdings abroad. This response, together with the greatly

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reduced deficit for June with the European Payments Union, probably marks an end to speculative pressure against the franc for the present and postpones the need for additional large-scale foreign aid for several months. However, these modest financial improvements do not resolve France's basic economic problems, and they can be maintained or extended only through further economic reform measures, possibly including further devaluation of the franc.

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No

De Gaulle-NATO: De Gaulle has told General Norstad he wants to do everything possible to strengthen NATO. De Gaulle stated that he would shortly communicate France's decisions that it must have IRBM's and nuclear weapons, and emphasized that France must also have a voice in any decision to use these weapons.

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I. THE COMMUNIST BLOC

USSR Changes Position on Geneva Technical Talks

The Soviet aide-memoire of 25 June represents at the least a major shift in Moscow's tactics on the Geneva talks on detecting nuclear explosions. It may even signal a far-reaching turn in Soviet policy toward the West, particularly with respect to nuclear test suspension and summit talks.

The 25 June note contrasts sharply in tone and content with the aide-memoire of the previous day which noted agreement on the date, place, composition, and duration of the Geneva talks and expressed the view that the conference "should aid in the most rapid cessation" of nuclear tests. On the tactical level, the new aide-memoire can be viewed as a bold maneuver to force the United States to agree in principle to a test cessation independent of other aspects of the disarmament problem. Moscow attempts to achieve this long-standing aim by insisting on a definition of the purpose of the Geneva talks which would establish a clear link between technical talks and the "ultimate end" of a test cessation agreement. The Soviet Government contends it only accepted the US proposal for technical talks on the assumption that their purpose would be to insure a test cessation.

The aide-memoire carries at least an implied threat of a Soviet boycott of the Geneva talks if the United States fails to respond to Moscow's call for "a confirmation that the experts conference is to be subordinated" to the task of achieving a test cessation agreement. Moscow may proceed with the talks, however, but concentrate exclusively on the political goal of extracting some form of US agreement in principle to a test cessation as the indispensable condition for taking up the technical aspects of the talks.

Should this latest move reflect a major turning point in the general orientation of Soviet foreign policy, its primary purpose may be to prepare the ground for an abandonment of all pretense of Soviet interest in negotiating a test cessation agreement and a resumption of the Soviet nuclear test program. Such a radical turn in Moscow's posture toward the non-Communist world would be the result of a fundamental reassessment of over-all Soviet policy in the light of recent developments in Eastern Europe, possibly springing from a major shift in the balance of forces within the Soviet leadership

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Cyprus

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[redacted] It appears likely, however, that the Greek Cypriots will continue their partial boycott of British goods until Makarios is allowed to return to Cyprus.

Meanwhile, the British have officially denied press reports that EOKA leader Grivas was killed on 22 June. The report of his death, however, may cause Grivas to take some action--a signed memorandum to the Cypriots, at least--to reassure the population that he is still alive.

Information from Turkey tends to confirm previous reports that the extraordinary security measures taken near Greek, British, US, and NATO installations in Izmir on 23 June were prompted by threatening remarks overheard and reported to the governor of Izmir. Ten alleged Communists have been arrested for planning to attack the British and Greek consulates in Izmir. A reduction in the number of security troops was noted on 24 June, suggesting that any immediate danger was considered over. The Turkish press continues to be inflammatory, and speakers at recent mass meetings have been violently anti-Greek. The announcement on 24 June by Greek Foreign Minister Averoff that cooperation with Turkey in NATO was no longer possible was probably based on a desire to placate anti-Turkish feeling in Greece but may draw a sharp reaction from Ankara, which usually disparages Greece's contributions to NATO.

Governor Foot's sudden trip to London on 24 June was due to fear that anticipated Labor party criticism of the government's new Cyprus proposals in the 26 June debate in Commons would lead to violence on Cyprus. Labor party leaders, however, had previously decided not to oppose the proposals nor to force a vote on the issue. [redacted]

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North African Political Leaders to Visit the United States

The Moroccan and Tunisian governments decided last week during consultations in Tunis to send a semiofficial delegation composed of leading members of the Moroccan Istiqlal party, the Tunisian Neo-Destour party, and the Algerian National Liberation Front (FLN) to the United States in August to enlist support for Algerian independence and the projected Maghreb federation. The Libyan Government, which may become a member of the Maghreb federation, will be invited to participate.

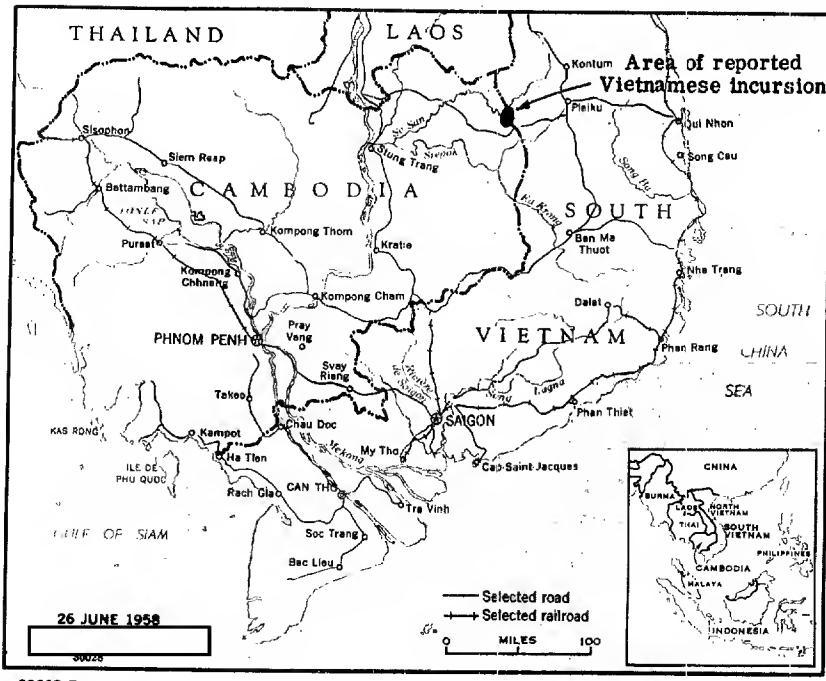
The visit will be organized by Mohamed Yazid, FLN representative in the United States, with the cooperation of the embassies of Tunisia, Morocco, and Libya. The delegation will attempt to arouse public opinion and make official and congressional contacts just prior to the opening session of the United Nations General Assembly.

Meanwhile, the FLN's executive committee has been revamped, with its eight members assuming functions similar to cabinet members. A Moroccan Government spokesman denied that this reorganization assumed the proportions of a government-in-exile. Subsequently, an Algerian spokesman in Tunis announced that an Algerian government would not be proclaimed before the meeting of the UN General Assembly this fall, but that the UN would then be asked for "de facto" recognition.

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Cambodia Charges South Vietnamese Invasion

The Phnom Penh government on 25 June broadcast a call to all Cambodians to "rally to the defense of their country" against an invasion by South Vietnamese armed forces. The Vietnamese were accused of occupying a village in northeastern Cambodia four miles inside the poorly defined border. Saigon denies any knowledge of its troops entering Cambodian territory, and American military observers report no discernible shift toward an aggressive posture by the Vietnamese armed forces. Earlier this month, the Cambodians were reported to have violated Vietnamese territory in the same general area.

Border incidents between the two countries are endemic but have assumed more serious proportions in recent weeks, aggravating already poor relations. Exaggerated reports reaching Saigon and Phnom Penh concerning these incidents have increased tension in both capitals. With both sides assuming a self-righteous attitude, there is the danger of a series of border affrays.

Ambassador Strom in Phnom Penh notes the danger that Phnom Penh may turn to Peiping for political and moral support in this dispute. Cambodian leaders, who are inclined to feel the West will not support neutralist Cambodia in its dispute with anti-Communist Vietnam, have hinted broadly at such a development. The prime minister told the press on 25 June that if an appeal to the US does not result in effective intervention, Cambodia will turn to "other friendly powers."

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Security Conditions in Laotian Provinces Deteriorating

While conservative Laotian politicians show a growing comprehension of the Communist threat, they are failing to react with speed and determination to indications of a deteriorating security situation in the provinces. Under the momentum of its 4 May electoral triumph, the pro-Communist Neo Lao Hak Zat (NLHZ) is extending its influence in the countryside.

Several leaders at a 21 June meeting of the newly formed Rally of the Lao People emphasized the need to rectify past abuses, to reorganize government services, and to build effective, rather than merely formal, cooperation between the disparate factions in the Rally. A number of politicians expressed fear of liquidation if the Rally failed in its efforts to stem the Communist tide. Rally President Souvanna Phouma attempted to stiffen wavering elements by assurances that the police and military would take over if the politicians failed.

The conservatives nevertheless face formidable problems. The Rally is built of antagonistic, opportunistic factions and led by several politicians who are largely discredited. To compete with the disciplined NLHZ it must build a grass-roots organization, identify itself with a program of aid to the villages, and live down its reputation of corruption. Moreover, many Laotian functionaries remain indifferent and apathetic, choosing to view recent developments as a minor setback to be overcome with a "few reforms and a few arrests."

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Indonesian Cabinet Changes

The Indonesian cabinet reshuffle announced on 25 June by President Sukarno falls short of antileftist changes desired by the army and earlier hinted by government officials and Sukarno himself. Foreign Minister Subandrio has told the American ambassador, however, that the army is pressing for further changes and that eventually they will be made. He stated that Sukarno fears the Communists are so strong in Java that drastic steps against them would be dangerous at this time when Java's troop strength is depleted by operations in Sumatra and Celebes.

Cabinet changes involve the removal of one minister, the abolition of two ministries but the retention of the incumbents in other posts, and the addition of three new portfolios. The only significant change is the demotion of pro-Communist Hanafi, formerly the minister for manpower mobilization and now minister without portfolio, in which position he presumably will be less useful to the Communists.

A possible indication of army influence is the appointment of Colonel Suprajogi, a former commander of West Java, to the new post of minister for stabilization of economic affairs. Two members of the non-Communist Moslem party, Nahdlatul Ulama, and one anti-Western, nonparty man complete the new cabinet line-up.

Apparently the Sultan of Jogjakarta had originally accepted the Ministry of Trade post but backed out at the last moment, because he considered the cabinet reorganization as being too insignificant. The principal gainer in this shake-up seems to be Sukarno, who appears to have increased his influence in a cabinet already responsive to his demands.

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III. THE WEST

France's Gold Loan and Financial Situation

The US Embassy in Paris believes that speculative pressure against the franc has ended temporarily and that France will probably not require additional large-scale foreign aid before fall. The factors on which the embassy's estimate is based are the early response to the 17 June gold loan, a sharply reduced June deficit in the EPU, and a strong Treasury position. However, the internal financial position is menaced by appropriations authorized for Algeria.

During the first four days of the gold loan launched by Finance Minister Pinay in an effort to bring hoarded gold back into circulation and stabilize internal finances, the government took in \$43,000,000 compared with only \$34,000,000 during the entire seven-week period of his 1952 loan. Total subscriptions of about \$100,000,000 to the 3.5-percent tax-exempt loan were also at a higher rate than in 1952. The head of the Treasury indicated that he would regard the loan as a "success" if it yielded \$250,000,000 by mid-July. French officials admit that only about 1 percent of estimated hoarded gold has been released by the loan, and no repatriation of funds from abroad had been reported prior to the official 24 June suspension of a 25-percent tax on such transfers.

France's deficit in the European Payments Union is reported at only \$25,000,000 as of 21 June in contrast with \$115,000,000 in May, and most of it will be covered by a surplus with the dollar area this month.

Latent inflationary pressures persist in unsatisfied wage demands as well as in the prospective budget deficit. The recent modest financial improvement can be maintained and extended only through further economic reform measures, possibly to include some further devaluation of the franc.

De Gaulle's Views on NATO

Premier de Gaulle impressed General Norstad, in conversation on 24 June, as open-minded, reasonable, and flexible. De Gaulle said he had "no designs" on NATO; on the contrary, he fully endorsed the alliance and said he wanted to do everything possible to make it stronger. Specifically De Gaulle said the NATO command in the Mediterranean needed to be "thought over."

De Gaulle emphasized that France should play a "full role in both peace and war" in the world situation. Clarifying his views on modern arms, he said that France, "along with the other allies," would have to have "possession" of atomic and other modern weapons, but he expressed some doubt that what Norstad called the "political authority of NATO" is a sufficiently precise authorization for use of such weapons. He said France would shortly communicate its views on IRBM's and the NATO stockpile of atomic weapons.

Norstad's over-all impression was that De Gaulle was "much gentler, softer, and quieter" than might have been expected, though "firm and strong by character" with the purpose of enhancing the role of France in NATO and in the world.

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